HOUSING MARKET INFORMATION

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Canada

CANADA MORTGAGE AND HOUSING CORPORATION

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Canadian Market Overview

New Home Market

Housing starts decline in October

The number of housing starts was trending at 218,390 units in October. The trend is a six-month moving average of the monthly seasonally adjusted annual rates (SAAR)[1]. The standalone monthly SAAR was 204,084 units in October, down from 223,997 units in September. Housing starts in October were lower than the latest trend figure.

The monthly decrease registered was mostly due to declines in both single and multiple starts in urban centres in Quebec and the Prairies.

Figure 1

Source: CMHC

*Seasonally adjusted at annual rates

[1]All starts figures in this report, other than actual starts, are seasonally adjusted annual rates (SAAR) — that is, monthly figures are adjusted to remove normal seasonal variation and multiplied by 12 to reflect annual levels. By removing seasonal ups and downs, seasonal adjustment makes it possible to highlight the fundamental trends of a series. Reporting monthly figures at annual rates indicates the annual level of starts that would be obtained if the monthly pace was maintained for 12 months. This facilitates comparison of the current pace of activity to annual forecasts as well as to historical annual levels.

Table of Contents

1 Canadian Market Overview
1 New home market
1 Housing starts
2 Inventories of new and unoccupied units
2 Building permits
3 New Housing Price Index
3 Existing home market
3 MLS® sales and new listings
3 Sales-to-new-listings ratio
3 MLS® prices
4 Teranet–National Bank House Price Index
4 Economic conditions
5 Housing market statistics

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Urban starts decrease in October

In canadian urban centres[2], the seasonally adjusted annual rate of total starts decreased by 10.1 per cent to 182,111 units in October, from 202,587 units in September.

The annual rate of multiple starts declined by 11.4 per cent to 119,718 units, while the annual rate of single starts fell by 7.6 per cent to 62,393 units.

Non-urban areas of Canada saw an increase of 2.6 per cent to an estimated seasonally adjusted annual rate of rural starts of 21,973 units in October, from 21,410 units in September.

Inventories of new and unoccupied units increase slightly

Inventories of new and unoccupied housing units[3] had been stable over the past year but rose slightly in October.

The inventory of new and unoccupied single- and semi-detached homes increased to 6,406 units in October, from 6,125 in September, and rose slightly above the 2011 narrow range of 5,500 to 6,200 units.

As for the inventory of new and unoccupied row and apartment units, they remained within the 2011 range of 12,600 to 14,200 units despite a small increase, rising to 13,460 units in October, from 12,702 units in September.

The ratio of the inventory of new and unoccupied units to population, a simple gauge of potential overbuilding, has stabilized in recent quarters at levels close to its historical average of 5.4 over the 1982-2012 period.

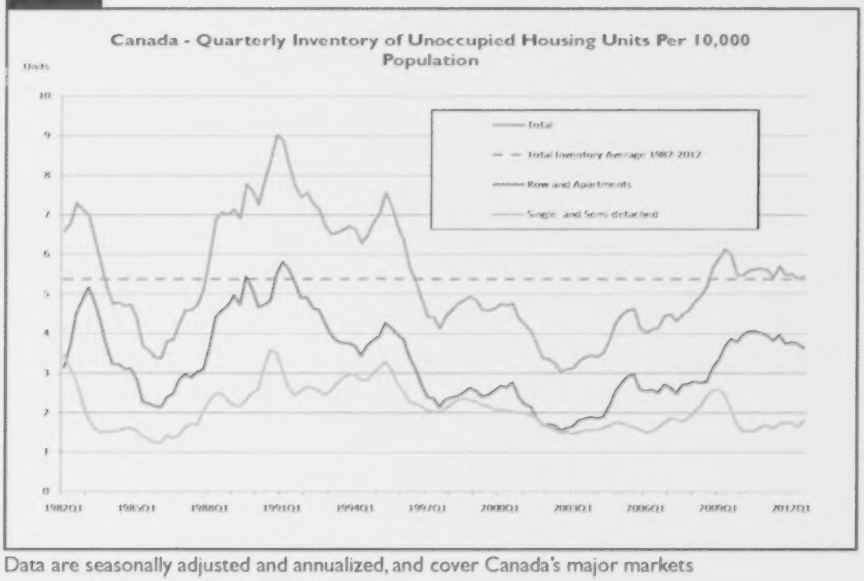
Construction intentions decrease for multi-family dwellings

Statistics Canada conducts a building permits survey among 2,400 municipalities. These permits measure construction intentions and can serve as indicators of future starts.

Municipalities across Canada issued permits for the construction of 208,000 new dwellings (annual rate), down by 9.1 per cent in September from the previous month.

Permits issued for the construction of multi-family dwellings fell by 16.3 per cent from August to September, to 119,200 units, while those issued for single-family dwellings rose by 2.7 per cent from August to September, to 88,800 units.

Figure 2



Data are seasonally adjusted and annualized, and cover Canada's major markets
Source: CMHC
Last data point: 2012Q3. Will be updated to 2012Q4 in the January 2013 Housing Now.

[2] Urban centres are defined as centres with a population of at least 10,000. CMHC surveys urban centres with 10,000 to 49,999 inhabitants at the end of every quarter. Months that are not at the end of a quarter are estimates.

[3] The inventory of housing units is defined as the level of newly completed and unoccupied units. Units under construction are not taken into account in this inventory because some units under construction are pre-sold. The level of inventories discussed here is for urban centres with a population of over 50,000.

Value of building permits increases

The value of building permits for all dwellings edged up by 0.4 per cent from August to September 2012.

Construction intentions for multi-family dwellings declined by 3.8 per cent to $1.7 billion, for a third monthly decrease in a row. The value of permits for single-family dwellings advanced by 3.4 per cent to $2.5 billion, after two consecutive monthly declines.

New Housing Price Index growth remains stable

The growth in the New Housing Price Index (NHPI) remained relatively stable in relation to the previous month, as the NHPI rose by 2.4 per cent in September 2012 compared to the same month in 2011, the same increase as was posted in August 2012.

Existing Home Market

MLS® new listings decline in October

The seasonally adjusted annual rate of Multiple Listing Service® (MLS®)[4] sales remained stable (-0.1 per cent) at 437,904 units in October, compared to 438,540 units in September.

Figure 3

Data are seasonally adjusted and annualized, and cover Canada's major markets
Sources: CMHC, Canadian Real Estate Association (CREA), MLS®
Last data point: 2012M9

The seasonally adjusted annual rate of MLS® new listings in October was 861,084 units, for a decrease of 3.8 per cent from 895,416 units in September.

Balanced market conditions continue in October

An indicator of price pressure in the existing home market is the sales-to-new listings ratio[5]. New listings are a gauge of the supply of existing homes, while MLS® sales are a proxy for demand.

The sales-to-new listings ratio remained in balanced market conditions in October, as the decrease in new listings outpaced the decline in MLS® sales, bringing up the sales-to-new listings ratio for Canada to 50.9 per cent in October from 49.0 per cent in September. Canadian housing market conditions are further anchored in balanced market territory, having been balanced since May 2012.

Resale market prices remain unchanged

The national seasonally adjusted average MLS® price remained relatively stable, increasing by 0.1 per cent in October to $363,299, from $362,985 in September. Also in October, the unadjusted average MLS®

[4]Multiple Listing Service (MLS®) is a registered trademark owned by the Canadian Real Estate Association.

[5]Taking the Canadian MLS® market as a whole, a sales-to-new-listings ratio below 40 per cent has historically accompanied prices that are rising at a rate that is less than inflation, a situation known as a buyers' market. A sales-to-new-listings ratio above 55 per cent is associated with a sellers' market. In a sellers' market, home prices generally rise more rapidly than overall inflation. When the sales-to-new-listings ratio is between these thresholds, the market is said to be balanced.

price stayed stable, edging to $361,516 from $361,436 a year before.

Earlier this year, the Canadian Real Estate Association (CREA) launched a house price index[6] that uses statistical techniques to control for changes over time in the types and quality of homes sold. The home price index rose by 3.6 per cent from October 2011 to October 2012 in the markets covered, compared to an increase of 3.9 per cent from September 2011 to September 2012.

On balance, these two CREA measures indicate a pause following a period of decelaration in home price growth.

By comparison, the Teranet–National Bank National Composite House Price Index™, which also uses statistical techniques to control for changes in the types and quality of homes sold over time, posted a 0.3-per-cent decrease in October, following a 0.4-per-cent decline in September, but still showed a 3.4-per-cent increase over the previous year

Economic conditions

According to Statistics Canada, employment did not increase in October, after having risen in September. There was little change in full-time employment (+0.1 per cent) or part-time employment (-0.2 per cent). Overall, given the increase in the participation rate, Statistics Canada reported that the unemployment rate remained stable in October, at 7.4 per cent.

Compared with 12 months earlier, employment was up 1.3 per cent in October (an increase of 229,000 jobs). Most of the gains posted on a year-over-year basis were concentrated in full-time employment, which recorded an increase of 1.7 per cent (240,400 jobs), while part-time employment decreased by 0.3 per cent over the same period (11,300 jobs).

Statistics Canada's Consumer Price Index rose by 1.2 per cent in the 12 months to October, matching the increase recorded in September. Core inflation, which excludes the eight most volatile items and the effect of changes in indirect taxes, rose by 1.3 per cent in the 12 months to October, following the same increase in the previous period.

On October 23, the Bank of Canada announced that it would maintain the target for the overnight rate unchanged at 1.0 per cent. In its latest (October 2012) Monetary Policy Report (MPR), the Bank of Canada stated that "The global economy has unfolded broadly as the Bank projected in its July MPR [...] In Canada, while global headwinds continue to restrain economic activity, domestic factors are supporting a moderate expansion. Following the recent period of below-potential growth, the economy is expected to pick up and return to full capacity by the end of 2013."

The five-year posted mortgage interest rate remained unchanged at 5.24 per cent and has been stable since June 2012.

The next interest rate announcement of the Governing Council of the Bank of Canada is scheduled to take place on December 4, 2012. ■

[6]The MLS® Home Price Index is based on single family, townhouse/row unit, and apartment unit sales activity in Greater Vancouver, the Fraser Valley, Calgary, Regina, Greater Toronto and Greater Montréal.

This Month's Housing Data (SAAR)

	2011	Q1:12	Q2:12	Q3:12	M08:12	M09:12	M10:12
Housing starts, units, 000s							
Canada. Total. All areas	**194.0**	**205.2**	**229.1**	**222.9**	**228.8**	**224.0**	**204.1**
Per cent change from previous period	2.1	2.4	11.7	-2.7	7.1	-2.1	-8.9
Canada. Total. Rural areas	**19.6**	**19.0**	**22.5**	**22.4**	**19.7**	**21.4**	**22.0**
Per cent change from previous period	-17.5	-9.5	18.3	-0.3	-12.6	8.6	2.6
Canada. Total. Urban areas	**174.4**	**186.2**	**206.7**	**200.6**	**209.1**	**202.6**	**182.1**
Per cent change from previous period	4.9	3.8	11.0	-3.0	9.4	-3.1	-10.1
Canada. Single. Urban areas	**67.1**	**67.2**	**68.0**	**68.9**	**68.3**	**67.5**	**62.4**
Per cent change from previous period	-9.6	-0.6	1.3	1.2	1.1	-1.1	-7.6
Canada. Multiple. Urban areas	**107.3**	**119.0**	**138.7**	**131.7**	**140.9**	**135.1**	**119.7**
Per cent change from previous period	16.7	6.4	16.5	-5.0	14.0	-4.1	-11.4
Newfoundland. Total. All areas	**3.5**	**3.7**	**4.0**	**4.3**	**3.9**	**3.9**	**3.5**
Per cent change from previous period	-3.3	9.7	9.9	7.3	-12.1	-1.4	-9.6
Prince Edward Island. Total. All areas	**0.9**	**0.5**	**1.1**	**1.2**	**1.1**	**1.4**	**0.8**
Per cent change from previous period	24.3	-58.9	145.8	6.6	-16.6	29.6	-38.9
Nova Scotia. Total. All areas	**4.6**	**3.8**	**3.7**	**5.4**	**6.8**	**6.1**	**8.3**
Per cent change from previous period	7.8	-21.2	-2.3	45.3	126.1	-10.3	36.0
New Brunswick. Total. All areas	**3.5**	**2.6**	**3.8**	**3.4**	**3.4**	**6.4**	**2.9**
Per cent change from previous period	-15.8	-31.3	49.2	-11.5	2.2	90.5	-55.6
Quebec. Total. All areas	**48.4**	**41.2**	**52.4**	**49.3**	**46.9**	**49.6**	**41.4**
Per cent change from previous period	-5.8	-16.0	27.2	-6.0	-12.2	5.7	-16.6
Ontario. Total. All areas	**67.8**	**79.0**	**81.9**	**79.0**	**88.0**	**72.0**	**67.8**
Per cent change from previous period	12.2	18.5	3.6	-3.5	18.1	-18.2	-5.9
Manitoba. Total. All areas	**6.1**	**6.7**	**7.8**	**8.3**	**9.3**	**8.5**	**6.6**
Per cent change from previous period	3.3	-7.3	15.6	6.5	42.2	-8.7	-21.8
Saskatchewan. Total. All areas	**7.0**	**8.8**	**9.6**	**10.8**	**9.8**	**13.3**	**10.5**
Per cent change from previous period	19.0	19.3	9.3	12.7	24.3	36.6	-21.3
Alberta. Total. All areas	**25.7**	**31.4**	**35.5**	**32.6**	**29.3**	**33.3**	**33.1**
Per cent change from previous period	-5.1	3.0	13.1	-8.1	-12.2	13.7	-0.4
British Columbia. Total. All areas	**26.4**	**27.6**	**29.4**	**28.7**	**30.4**	**29.5**	**29.2**
Per cent change from previous period	-0.3	3.8	6.3	-2.3	17.5	-3.0	-1.1

SOURCE: CMHC, Starts and Completions Survey. All data are seasonally adjusted and annualized. This seasonally adjusted data goes through stages of revision at different times through the yearly cycle resulting in finalization of preliminary data. These revisions take place at the end of each month, quarter and year.

This Month's Housing Data, continued (SAAR)*

Housing starts, units, 000s	2011	Q1:12	Q2:12	Q3:12	M08:12	M09:12	M10:12
Canada. Total. Urban areas	174.4	186.2	206.7	200.6	209.1	202.6	182.1
Newfoundland. Total. Urban areas	2.3	2.5	2.6	2.7	2.5	2.6	2.2
Prince Edward Island. Total. Urban areas	0.7	0.3	0.8	0.9	0.8	1.1	0.6
Nova Scotia. Total. Urban areas	4.1	3.1	3.1	4.8	6.3	5.5	7.6
New Brunswick. Total. Urban areas	2.5	2.0	2.8	2.8	2.8	5.8	2.0
Quebec. Total. Urban areas	41.8	35.2	45.1	42.2	41.6	41.8	34.7
Ontario. Total. Urban areas	65.2	77.1	79.8	77.1	85.9	70.2	65.7
Manitoba. Total. Urban areas	4.2	4.3	5.4	5.9	7.0	6.8	4.1
Saskatchewan. Total. Urban areas	5.7	6.9	7.2	8.3	7.5	11.0	8.9
Alberta. Total. Urban areas	23.6	29.0	32.4	29.5	26.6	30.6	29.4
British Columbia. Total. Urban areas	24.3	25.8	27.4	26.3	28.2	27.2	26.8

SOURCE: CMHC, Starts & Completions Survey. All quarterly and monthly data are seasonally adjusted and annualized.This seasonally adjusted data goes through stages of revision at different times through the yearly cycle resulting in finalization of preliminary data. These revisions take place at the end of each month, quarter and year.

This Month's Major Housing Indicators

New Housing	2011	Q1:12	Q2:12	Q3:12	M08:12	M09:12	M10:12
New & unoccupied singles & semis, units 000s	6.2	6.1	5.7	6.1	5.8	6.1	6.4
Per cent change from same period previous year	6.0	4.2	2.9	6.7	3.7	6.7	8.4
New & unoccupied row & apartments, units 000s	12.9	13.1	12.7	12.7	12.6	12.7	13.5
Per cent change from same period previous year	-6.0	1.6	-4.1	-5.6	-7.7	-5.6	1.6
New House Price Index, 2007=100	105.5	107.0	107.8	108.3	108.3	108.5	n.a.
Per cent change from same period previous year	2.2	2.4	2.4	2.3	2.4	2.4	n.a.
Existing Housing							
MLS® resales*, units 000s	457.3	473.7	472.0	441.5	428.5	438.5	437.9
Per cent change from same period previous year	2.4	3.3	6.1	-2.8	-4.8	-4.8	-5.9
MLS® average resale price, 000s**	363.1	368.4	364.2	361.5	362.6	363.0	363.3
Per cent change from same period previous year	7.1	1.0	-0.4	0.0	0.3	0.4	0.2
Mortgage Market							
Posted 1-Year Mortgage Rate, % (period average)	3.52	3.30	3.20	3.10	3.10	3.10	3.10
Posted 5-Year Mortgage Rate, % (period average)	5.37	5.26	5.34	5.24	5.24	5.24	5.24

SOURCE: CMHC, Statistics Canada, Bank of Canada, The Canadian Real Estate Association.

n.a. Figures not available.

* Annual data is actual. Quarterly and monthly data are seasonally adjusted and annualized (SAAR).

** Annual data is actual. Quarterly and monthly data is seasonally adjusted.

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